

Date: July 9, 2013

To: Thomas J. Bonfield, City Manager
Through: W. Bowman Ferguson, Deputy City Manager
From: Joel V. Reitzer, Director, General Services Department
Subject: Proposed Advance Acquisition for the Future Expansion of Lake Michie Property of Ricky Dwayne Shepherd

Executive Summary

City Council approved the Land and Buffer Acquisition Program for the future expansion of Lake Michie on February 15, 1988. In order to curb development of the area around Lake Michie, and to acquire land for future expansion at the most advantageous prices and in a manner that is least disruptive to citizens, the Real Estate staff of the General Services Department continues to acquire property on a voluntary basis. The Real Estate staff has negotiated an Option to Purchase a total of ± 6.053 acres of vacant land located at 3803 Pat Tilley Road from Ricky Dwayne Shepherd for \$65,000.00. This option has been provided to the City by the property owner, and is attached hereto. The acquisition will be funded from the Future Water Supply Source account.

Recommendation

The General Services and the Water Management Departments recommend that City Council approve the fee simple acquisition of ± 6.053 acres of vacant land from Ricky Dwayne Shepherd identified as Parcel ID 213256 (± 6.053 acres) for a purchase price of \$65,000.00.

Background

City Council approved the Land and Buffer Acquisition Program for the future expansion of Lake Michie on February 15, 1988. Lake Michie had been the primary source of raw water for Durham until the Little River Dam and Reservoir was completed in the summer of 1987. In 1988 the Real Estate staff began acquiring property on a voluntary basis for the Lake Michie expansion. To date, approximately 1,420 acres have been purchased. The acquisition criteria used to determine which properties would be desirable to be purchased are any properties that are below the 380 or 400 foot elevation (above sea level, whichever is greater) plus 300 feet horizontally from the elevation line established. The Ricky Dwayne Shepherd parcel meets the referenced acquisition criteria.

Current market values for sales of vacant land in the Lake Michie area range between \$9,000.00 and \$13,500.00 per acre. The City's acquisitions for the Lake Michie Expansion project in the past five years have ranged from \$8,500.00 to \$12,385.00 per acre. The Option to Purchase amount negotiated with Ricky Dwayne Shepherd is \$65,000.00 for ± 6.053 acres of vacant land (\$10,738.00 per acre). The current assessed tax value for the parcel is \$66,483.00.

Issues/Analysis

Savings to the City:

- (1) Land values typically appreciate over time. Acquisition costs for the City are less now than in the future when expansion of the lake becomes imminent.
- (2) This property is being sold on a voluntary basis, which assists negotiating the purchase price since the owner is a willing seller.

Purchases to Date:

Since 1988, the City has purchased approximately 1,420 acres of property.

The Option contains the following terms and conditions:

- (1) The property has a total of ±6.053 acres;
- (2) The purchase price is \$65,000.00, based on comparable land sales in the area;
- (3) The Option expires 90 days after City Council approval; and
- (4) Upon exercise of the Option by the City and by giving notice of such exercise, the seller shall execute and deliver a good and sufficient deed conveying fee simple title to the City.

It is understood and agreed that the City of Durham or its agents or contractors may enter the property for purposes related to the acquisition at any time after the execution of the Option and before delivery of the deed.

Alternatives

Change elevation criteria: Changing the acquisition strategy by lowering the elevation of the properties that would be acquired to increase the lake volume is not a practical alternative because it would not meet the standards of the City's Water Management Department to satisfy the anticipated future expansion of Lake Michie and would not provide the land necessary to meet the buffer requirement. This alternative is not recommended.

Pay less for the property: The purchase price that is being recommended is consistent with the estimated value for comparable property sales in the area. In addition, the seller is not willing to accept an amount less than what has been offered. This alternative is not recommended.

Do nothing: Based on historical upward trends for land values, if the land is not acquired as it becomes available, it is likely that future acquisition costs will increase, especially if the properties that are currently unimproved (vacant) are developed. This alternative is not recommended.

Financial Impact

Expenditures Related to the Acquisition

\$ 65,000.00	Purchase price
\$ 2,500.00	Estimated Cost of Phase I Environmental Site Assessment
<u>\$ 1,000.00</u>	Estimated Closing Costs
\$ 68,500.00	Estimated Total Expenditures

Funds are available in the "Future Water Supply and Quality Protection" account (4100P007-730100-P0B03).

SDBD Summary

This item does not require review by the Equal Opportunity/Equity Assurance Department.

Attachments: Option to Purchase and Survey